

CREDIT UNION DIVISION PERFORMANCE REPORTING 2005

AGENCY OVERVIEW

Vision/Mission/Values

The primary purpose and mission of the Credit Union Division is the administration and execution of the laws of the State of Iowa relating to credit unions so as to effectively safeguard the interests of the depositors and shareholders of those organizations. Our vision is to provide for a regulatory environment in which Iowa's credit unions can prosper, operate in a safe and sound manner, and meet the financial service needs of their members. Our guiding principals are customer focus, results orientation, long-range thinking, data-based decisions, continuous improvement, collaborative leadership, and employee participation.

Core Functions/SPAs

The Division's core functions are regulation and compliance and resource management.

Regulation and compliance services include a risk-focused supervision and examination program which identifies, measures, monitors, and controls unacceptable levels of risk. Our performance target is to perform 80 examinations annually for Iowa Code Chapter 533.6 compliance. A red flag system, subject matter specialists, and training are other key services provided by the Division.

The intent of the core function of resource management is to improve communication and accessibility to information by providing timely and accurate services to division employees, credit union management & members, members of the public, and other state agencies. This unit is responsible for the accounting, budgeting, human resources, rules, planning, and information technology.

Customer/stakeholders

The Division identified the following customer groups:

Credit unions, which expect the Division to perform examinations at least every 24 months, a copy of which is provided to the credit union and the National Credit Union Administration, the federal insurer of credit union deposits; stakeholders and depositors, which expect the Division to provide for a regulatory environment in which Iowa's credit unions can prosper, operate in a safe and sound manner, and meet the financial service needs of their members; the National Credit Union Administration which expects the Division to verify accurate and timely 5300 Call Reports, Audit Committee verification, and a Banking Secrecy Act questionnaire; the Legislative Branch, which the Division requests the appropriation of adequate funds to perform safety and soundness examinations; and the Executive Branch, that requires the Division to operate within the laws and regulations, and executive orders; and members of the public which expect timely response to inquiries.

Organizational structure

The Superintendent of Credit Unions is appointed by and serves at the pleasure of the Governor subject to confirmation by the Iowa Senate. The Superintendent is charged

with the supervision and enforcement of the laws, bylaws, rules and regulations pertaining to the organization and operation of credit unions operating under a state charter.

The Governor appoints a seven-member Review Board for staggered three-year terms, also subject to confirmation by the Senate. Two of the Board members may be public members; however, at no time are there more than five of the members' directors or employees of a state or federal credit union. The Board meets at least four times each year and holds special meetings at the call of the chairperson. Four members constitute a quorum. The Board may adopt, amend, and repeal rules pursuant to Chapter 17A or take other action as it deems necessary or suitable, to effect the provisions of Iowa Code Chapter 533.

Employees

Employees of the Credit Union Division are noncontract, nonmerit employees. There are currently 13 examiners, an executive officer, a secretary 2, and the superintendent in the Division. Although it is not a requirement, most employees have a 4 year degree.

The Division is committed to providing a well educated and well trained examination and administrative staff to effectively supervise and regulate Iowa Credit Unions and provide administrative support to the Division.

The Division provides an expanded career path structure to accommodate the risk focused examination process. Both examination and administrative position duties and responsibilities have been updated. A supervisory examiner position was created to have direct responsibility for the examination and supervision program and direct oversight of the examination staff.

Additional senior examiner slots were added to provide an elongated career path for examiners. The senior examiners specialize in selected areas in addition to their regular examination work. They assist in their areas of expertise on exams/contacts, as well as, being a resource for other staff members. The Special Actions Examiner is charged with the supervision of the credit unions on the Watch List or under administrative action. The Training Specialist is assigned the responsibility of all aspects of the Division employee's training. The Capital Markets specialist serves as the Asset Liability Management and Investment Specialist and is responsible for the examination of the Iowa Corporate Central Credit Union. The IT Specialist position is responsible for the review of EDP systems, e-commerce and payment systems, as well as, the Division's technology needs. The Consumer Compliance Specialist is responsible for the compliance reviews and questions. The senior exam staff are assigned supervision of the larger more complex credit unions.

The Division's administrative unit consists of an executive officer, and a secretary. This unit is responsible for all administrative functions in the Division.

Budget

Annual fees are paid by state-chartered credit unions to support the Credit Union Division. The amount collected each fiscal year reflects the actual operating costs of the Division. The annual operating fee is collected each year in two installments, during the months of December and August to coincide with the Division's fiscal year of July 1st to June 30th. The Credit Union Division was appropriated \$1,377,364 in Fiscal Year 2004 and expended \$1,260,871 of the appropriation. The Division received \$1,273,643 in receipts in Fiscal Year 2005. The Credit Union Division is cost neutral to the general fund of the State of Iowa since all expenses are paid by the regulated industry.

PERFORMANCE PLAN RESULTS

Name: Resource Management – Complaint Coordination

Description: Percentage of active complaints resolved within thirty days of receipt

Why we are doing this: The Credit Union Division provides a regulatory environment to safeguard the interests of credit union depositors and shareholders. Prompt and timely resolution to member complaints monitors the effective administration and execution of the laws relating to credit unions.

What we're doing to achieve results: Each complaint is initially assessed to determine if the complaint requires assignment of an examiner to conduct an investigation. If assigned, The examiner is expected to respond and investigate the complaint within 20 days. At the conclusion of the complaint, the findings are sent to the credit union and the complainee in written correspondence.

Results

Performance Measure:

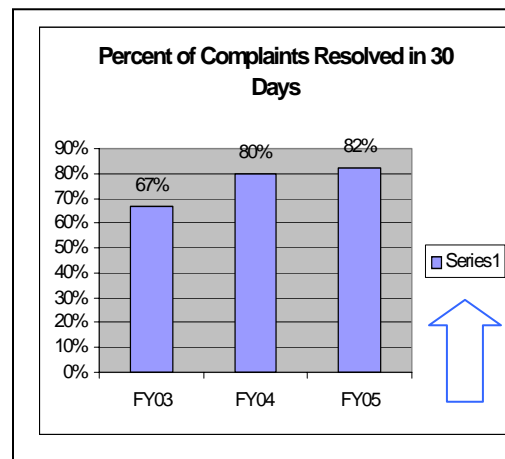
Percent of complaints resolved within 30 days of receipt

Performance Target:

85% of complaints resolved within 30 days

Data Sources:

Division database reporting system



Data reliability:

All complaints are entered into the database and are assigned a reference number. Information regarding the complaint is entered including the date received and the date the complaint is resolved.

Why we are using this measure:

This measure addresses timeliness, customer satisfaction, and complaint resolution.

What was achieved: Using this as a measure, complaints resolved within 30 days of receipt improved by 2% since FY 04 and 15% since FY 03.

PERFORMANCE PLAN RESULTS

Name: Regulation & Compliance – Percent of credit unions safe and sound

Description: Percent of credit unions rated with a 3 or better CAMEL rate from FY 02 through FY 05

Why we are doing this: A credit union's performance is measured by the CAMEL ratings. The CAMEL rating system is based upon an evaluation of critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, and Asset/Liability Management. This rating system is designed to take into account and reflect all significant financial and operational factors examiners assess in their evaluation of a credit unions' performance during an examination. Credit unions are rated using a combination of financial ratios and examiner judgment. Depositor and shareholders interests are safeguarded with the Division's annual examination and the review of quarterly financial data submitted by the credit unions to their examiners.

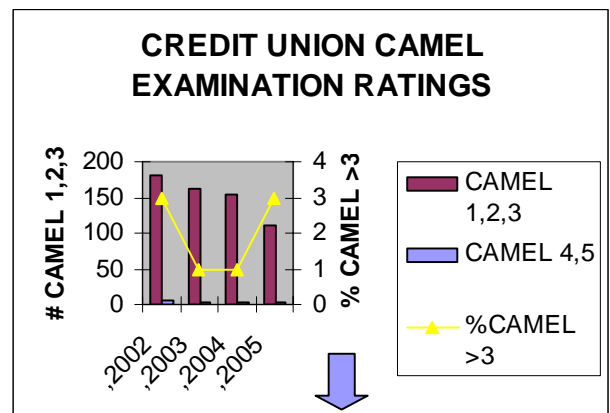
What we're doing to achieve results: Our vision is to provide for a regulatory environment in which Iowa's credit unions can prosper, operate in a safe and sound manner, and meet the financial service needs of their members. By providing a safe and sound regulatory environment, we safeguard the interests of credit union depositors and shareholders. Presently there are 154 credit unions in the state. While the number of credit unions is declining, the industry is not losing members or assets and through mergers, the members are gaining additional services. Credit unions at risk are closely monitored by problem case examiners and Letters of Understanding are put in place between the credit union and the Division to resolve problems identified before further administrative action is required.

Results

Performance Measure: Percent of credit unions safe and sound

Performance Target: 100 percent of credit unions safe and sound

Data Sources: Division database reporting system



Data reliability: The integrity of data received from credit union management is attested by them to be true and accurate. The data is submitted quarterly and is reviewed for validity. The reliability of the data is ensured through technical constraints and checks and balances. The timeliness of information received is dictated by federal deadlines of information submittal.

What was achieved: This graph represents a safe and sound credit union industry.

Analysis of results: The percentage of examinations resulting in CAMEL composites of 4 and 5 have not been above 3 percent, representing a healthy industry.

PERFORMANCE PLAN RESULTS

Name: Regulation & Compliance – Percent of credit unions safe and sound

Description: Number of credit union examinations performed by division examiners

Why we are doing this: The Division's performance target is to perform 80 examinations annually for Iowa Code Chapter 533.6 compliance in which "The Superintendent may make or cause to be made an examination of each credit union whenever the superintendent believes such examination is necessary or advisable, but in no event less frequently than once during each twenty-four-month period."

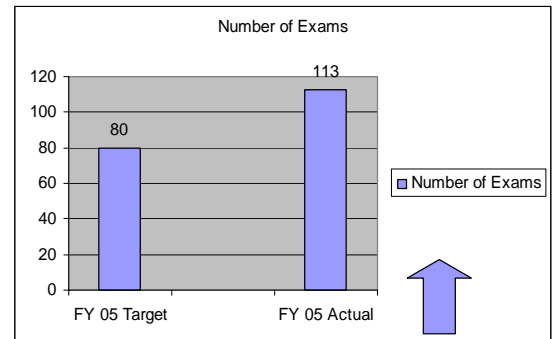
What we're doing to achieve results: Our vision is to provide for a regulatory environment in which Iowa's credit unions can prosper, operate in a safe and sound manner, and meet the financial service needs of their members. By providing a timely examination program, we safeguard the interests of credit union depositors and shareholders. Presently there are 154 credit unions in the state. While the number of credit unions is declining, the industry is not losing members/assets and that through mergers, the members are gaining additional services. Credit unions at risk are closely monitored by Problem Credit Union Examiners and Letters of Understanding are put in place between the credit union and the Division to correct problems identified before a merger becomes necessary rather than for the reason of additional services to members.

Results

Performance Measure: Percent of credit unions safe and sound

Performance Target: 100 percent of credit unions safe and sound

Data Sources: Division database reporting system



Data reliability: The reliability of the data is ensured through technical constraints and checks and balances. The timeliness of information received is dictated by federal deadlines of information submittal.

What was achieved: This graph represents the number of examinations above the Division’s target.

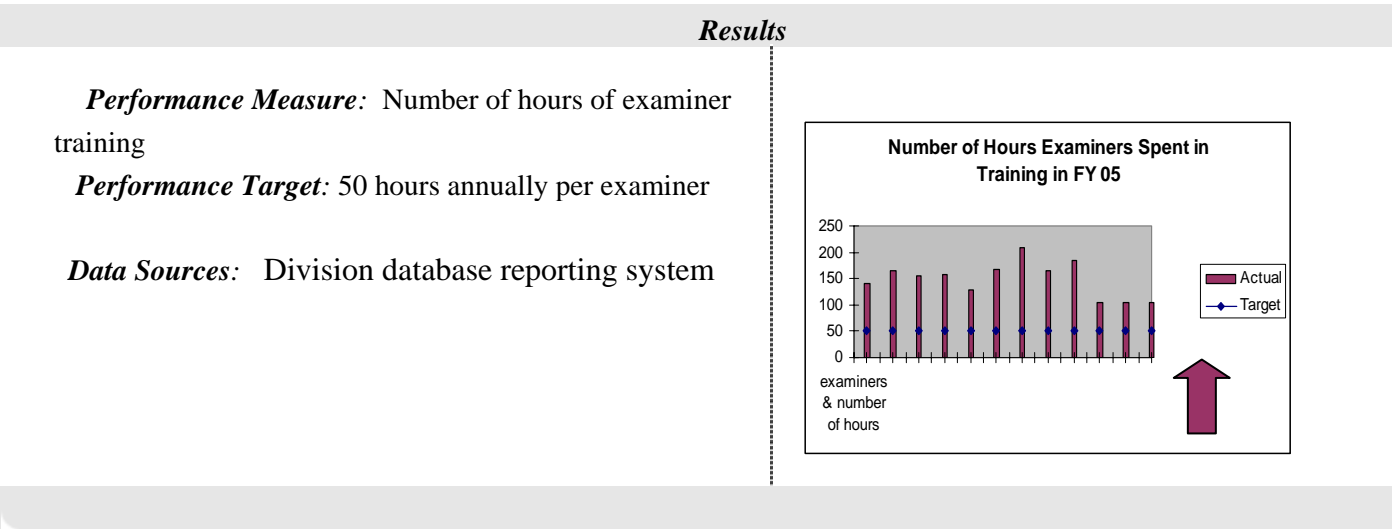
Analysis of results: The results show that the Division performs above our performance target.

PERFORMANCE PLAN RESULTS

Name: Regulation & Compliance – Education

Description: Number of hours examiners spend in training annually

What we're doing to achieve results: Provide both external and internal education through training opportunities.



Data reliability: Examiners enter all approved training received in the Division web based database.

What was achieved: A well-trained professional examiner staff

Analysis of results: The results are a staff of superior state credit union examiners through professional development of fulfilling requirements for continuing education hours. The number of hours examiners spent training far exceeds the Division target and will be re-evaluated.

